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COUNTRY: Argentina

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SUBJECT: Government Concern over Unemployment/Peron's Attitude toward U.S.

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SOURCE:

1. There is no indication yet that Peron does not have a firm hold on his position although continuing economic troubles have destroyed much of the blind faith with which the people have followed him. They are not as easily impressed by parades and meetings presided over by fiery orators. The people in the lower income brackets have been squeezed between low incomes and high commodity prices and now plagued by unemployment. But there is no opposition leadership to exploit the discontent. It was the opinion of local business men that any change would necessitate the army taking over. This would be necessary even if Peron were to step down voluntarily. I heard no individual in the armed forces mentioned as a possible leader in such an eventuality.
2. The government, and even opposition parties, are genuinely scared by the growing unemployment. They are trying to frighten employers into retaining surplus help on their payrolls by declaring that the cause of the unemployment wave is mismanagement by industry in failing to estimate their needs more accurately so as not to get overproduced. They threaten to establish strict controls over production of offenders that would virtually relieve them of management of their own affairs.
3. They also encourage unions to threaten employers with strikes if they reduce their working force. Shop stewards tell the workmen that lay-offs are entirely the fault of management.
4. Some good may emerge from the scare. In conversations with Peron over the past five years, he has stressed the fact that he could not get the best talent to participate in his cabinet since the good ones belonged to opposition parties. I heard much talk of the opposition letting up in their refusal to assist his regime and some of them could be expected to take cabinet posts soon.

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